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FISCAL IMPACT STATEMENT

LS 6317

BILL NUMBER: SB 283

NOTE PREPARED: Dec 30, 2009

BILL AMENDED:

SUBJECT: Sheriff's Pension Minimum COLA.

FIRST AUTHOR: Sen. Charbonneau

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill provides for an annual minimum 1% cost-of-living adjustment (COLA) for benefits paid to an employee beneficiary or a surviving spouse of a sheriff's pension trust.

Effective Date: July 1, 2010.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: According to the actuaries for 88 of the 89 counties that have established a sheriff's pension trust plan, the actuarial assumed annual COLA is equal to the maximum annual increase for funding purposes. For most plans, the maximum is a 3% annual increase. Anything less results in an actuarial (experience) gain for the plan.

However, the minimum requirement of 1% will affect COLA payments in the following manner. For example, if a county had offered no COLA in one year, and now will be mandated to offer a minimum COLA of 1%, additional funds will be expended which would reduce the value of the experience gain.

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected: Counties with county sheriff's plans.

Information Sources: Doug Todd, McCready & Keene, actuaries for many county sheriff's plans 317-576-1508; Elaine Beaty, McCready & Keene, 317-849-4333.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITIONS:

Actuarial (Experience Gain/Loss)- The effects of actuarial costs of deviations or differences between the past events predicted by actuarial assumptions, and the events that actually occurred. An actuarial gain results where the actual experience under the plan is more favorable than the actuary's estimate, while an actuarial loss reflects an unexpectedly adverse deviation.

COLA- Cost-of-Living Adjustment: An across-the-board increase (or decrease) in wages or pension benefits according to the rise (or fall) in the cost of living as measured by some index, often the Consumer Price Index (CPI).